

Price Strategy Bulletin

French *Mutuelles* Begin to Flex their Payer Muscles

Introduction

With a 12% share of the total bill, the not-for-profit mutual health insurance funds (*mutuelles*) are the third most important payer for prescription drugs in France after social security (67%) and contributions by patients (13%). As a payer, the *mutuelles* have been fairly benign, merely paying whatever bills they were presented with, but with rising costs changes with significant repercussions for pharmaceutical companies are taking shape.

Complementary Insurance

Nearly all French people have voluntary health insurance to complement the state scheme. The *mutuelles* alone cover 60% of the population (or 38 million people), with the balance insured by private for-profit insurance companies or non-profit provident institutions. Most people receive cover for themselves and their dependents as an employment benefit, with employers getting tax breaks on the portion of the premiums they provide.

Unlike in some other European countries, voluntary health insurance in France is not designed to provide more comfortable hospital accommodation, secure access to prestigious consultants, or jump the queue with elective surgery. Rather, it covers the difference between the actual prices charged and reimbursement tariffs under the state scheme.

Payment to insured members of the 35% or 65% pharmaceutical co-payment (known as the *ticket modérateur*) levied by social security cost the *mutuelles* €3.7 billion in 2005, 34% of their outlay. As well as co-payments for drugs, other co-payments apply for the likes of spectacles and dental prostheses, with flat rate charges also for ambulatory visits to doctors and for each day as a hospital inpatient. The *mutuelles* pay these charges as well, rendering most French people completely insensitive to healthcare costs in the process.

Funding the Co-Payment

Mutuelles describe themselves as 'blind payers', because with medicines they don't know what they are paying for, only that a member has been dispensed a drug carrying either a blue *vignette* on

the label (65% co-payment) or a white one (35% co-payment). With brands that are not publicly reimbursed at all (e.g. Propecia, Viagra, Relenza, Xenical, Zyban), the *mutuelles* have in general no financial liability. The patient in such a case is required to fund the full public price him or herself in cash.

Though they cannot choose to reimburse the co-payment of one product versus another in the same co-payment class, the *mutuelles* have already taken a strong line on a French specialty, *veinotoniques*, reimbursed by social security for a two-year transitional period since February at a new rate of 15%. These products carry an orange *vignette*. Despite unproven efficacy, vein tonics are an unusually large class in France (their cost to the *mutuelles* alone in 2005 was €171 million) but, with production invariably in the hands of small-medium French-owned firms, immediate delisting would be politically difficult to impose.

The position of the *mutuelles* has been not to reimburse the cost of drugs like the vein tonics, assigned a medical benefit (SMR) score of 'insufficient' by the Transparency Commission. However, prior to the introduction of the orange *vignette* (the 15% reimbursed/85% co-payment rate) they had no means of achieving this. This was because SMR 'insufficient' products were sometimes placed in the 65% co-payment category along with better rated products, with no means to distinguish between them. With the new orange classification Jean-Pierre Davant, the President of the National Federation of French Mutualities (FNMF) has urged *mutuelles* not to reimburse patients for the cost of the 85% co-payment due for vein tonics. Most have decided to follow his recommendation.

The Health Minister Xavier Bertrand has also just announced that, following review, further products will be transferred from 35% to 15% reimbursement. This allows the *mutuelles* to take further advantage and not reimburse co-payments of other 'insufficient' products.

Even more significantly, some innovative *mutuelles* that belong to the *Groupe Initiative Mutuelles* within FNMF have begun to propose new contracts to their clients that do not involve paying anything towards the cost of drugs that carry the blue *vignette* (35% public reimbursement).

Tiers Payant

Not only do the *mutuelles* cover the co-payments that would otherwise be due under the statutory scheme, but many operate a system where patients do not have to pay the out-of-pocket charges in the pharmacy when collecting their medicine. Instead, patients can register their details with the local pharmacy of their choosing, and the pharmacy can obtain reimbursement directly from social security. The patients of the *mutuelles* and/or private insurers pay nothing at the time of need. This is due to the *tiers payant* scheme, initiated several years ago by pharmacies owned and managed by the *mutuelles*. It is now adopted nationwide by many pharmacies.

Because of the popularity of the public with *tiers payant*, the scheme is being manipulated by the government to meet its own cost containment objectives. Uptake of generics is less in Paris than elsewhere in France, so in order to rectify this situation social security has in the past few weeks suspended *tiers payant* there for patients who refuse to accept a generic substitute. This tactic has already proved effective in the region of Alpes-Maritimes in the south of the country and generic dispensing has increased.

CEPS Membership

The *mutuelles* can also now exert political influence through the *Union Nationale des Organismes d'Assurance Maladie Complémentaire* (UNOCAM), a body created last year to allow complementary insurers to speak with one voice and to provide them with a seat on the drug pricing committee, CEPS.

Because of its market share, FNMF has the majority of votes on UNOCAM. Its President, Jean-Michel Laxalt, is also President of the largest *mutuelle* in the country, *Mutuelle Generale de l'Education Nationale*, for teachers. CNAM, the French national health insurance agency, has had representation on CEPS for a number of years.

Implications for Strategy Development

The French pricing environment has been tough and is about to get tougher. The prime objective of any company entering into P&R negotiations for a new product in France has traditionally been to get some percentage reimbursement at or near the desired price. It did not really matter whether the drug was

100%, 65% or 35% reimbursed, because near-universal complementary insurance picked up any balance and the patient paid nothing. This situation has now changed with more changes to follow.

A further threat comes from the government's focus on treatments for chronic diseases, (*affection longue durée*). Being 100% reimbursed under the statutory scheme these treatments previously cost the *mutuelles* nothing, but costs to social security are soaring. Almost 1 million new patients were admitted to the chronic disease programme in 2005 alone.

The High Authority on Health (HAS), now responsible for the Transparency Commission, is considering whether the definition of chronic disease could be tightened, assigning more products to the 65% reimbursed category. Thus, a large part of reimbursement could be transferred from social security to the *mutuelles* and private insurers. They in turn might attempt to pass on more of their costs to the patient, who will resist paying. Sales of affected products, e.g. cardiovascular drugs, are likely to be hit.

For pharmaceutical companies, meeting the needs of the French payers' is now even more critical.

PriceSpective is an international firm of pricing strategy experts, focused on providing strategic guidance in pricing and reimbursement to the pharmaceutical and biotechnology industries. PriceSpective has specific expertise on a wide range of policy matters and detailed knowledge of P&R rules in all major markets worldwide.

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